

23 July 1957

Copy No. 136

CURRENT INTELLIGENCE BULLETIN

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EXEMPTED FROM GDS TO S.C.
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 4-1-80 REVIEWER: []

OFFICE OF CURRENT INTELLIGENCE CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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Approved For Release 2002/07/30 : CIA-RDP79T00975A003200190001-5

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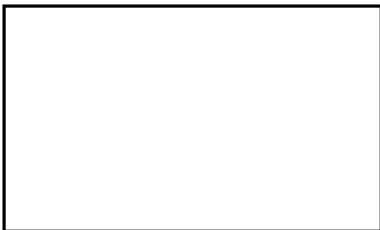
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2. REORGANIZATION OF THE USSR COUNCIL OF MINISTERS INDICATED

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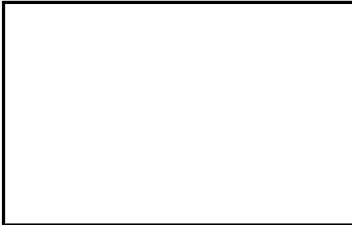


The sole remaining first deputy chairman of the USSR council of ministers, Anastas Mikoyan, has now been identified in the Soviet press merely as deputy chairman of the council of ministers. Gosplan head Iosif Kuzmin, as reported earlier, was referred to as a deputy chairman on 17 and 18 July. Mikoyan was last identified as a first deputy chairman on 24 June; Kuzmin as late as 12 July.

This action appears to be part of a broad reorganization of the council of ministers now under way to adjust both to the changed role assigned it under the economic reorganization and to the loss of five deputy premiers in the June shake-up. For the time being, the post of first deputy chairman apparently either does not exist or is vacant.

3. NASR'S SPEECH TO PARLIAMENT ON 22 JULY

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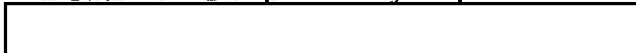


President Nasr's three-hour address to Egypt's new parliament on 22 July was essentially a review and justification of the five-year history of his regime.

A large portion of the speech was devoted to a laborious accounting of the regime's record and plans with regard to domestic affairs. Nasr announced a five-year program of industrial production and a plan for uranium prospecting and manufacture of heavy water. He confirmed a previous announcement that Egypt intended to proceed with the first phase of construction on the Aswan high dam. He also rehashed his often-repeated charges against the "imperialists" who he said threaten the future of Egypt and have "squatted upon us for hundreds of years, nay thousands of years." He did not deviate appreciably from the line he has taken in the past on such subjects as the Suez Canal, Israel, the Baghdad Pact, and relations with East and West.

While this speech contained no dramatic disclosures, there remains the possibility of some surprise move in the major announcement reportedly scheduled for 25 July or in Nasr's "People's Day" speech in Alexandria on 26 July.

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4. INTERNAL SITUATION IN YEMEN

Comment on:

Recent reports that the disease-ridden Imam of Yemen now is in rapidly declining health point to a period of internal violence and instability over determination of his successor. Crown Prince Badr, the Imam's oldest son, has told the American ambassador that the absolutist Imam might soon have to relinquish some responsibility, since when he was indisposed the activity of the country and the government virtually ceased.

The crown prince, who may hope to use the newly arrived Soviet arms as a means of securing his succession, has claimed to have the support of Yemen's important religious and tribal leaders, as well as officers in the army, who are anxious that the Imam give the crown prince greater responsibility. He also claims to have the support of King Saud. The crown prince himself has admitted, however, that he is opposed by antimonarchical "free Yemeni" revolutionaries residing in Egypt and Aden, and by hostile members of his own ruling family who are also supported by Cairo. In addition, the crown prince has expressed the belief that the British might support his uncle, Prince Hassan, for the throne.

On the other hand, [redacted] opposition to the Imam's present policies which are associated with his son is so widespread that were the Imam to die at this time, the crown prince would not be able to rally more than ten percent of the effective forces within the country. [redacted] both the northern and southern tribes are organizing to prevent the succession of the crown prince, and reportedly favor Prince Hassan. Opposition to the Imam and his son is also based on the contention that the Imam

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had no right to designate his son as crown prince, since the ruler has been traditionally selected by tribal leaders in the north.

Hassan, who was formerly prime minister, left Yemen shortly after an unsuccessful attempt to overthrow the Imam in 1955 and now heads the Yemeni delegation in the United Nations. Hassan's supporters reportedly believe that if he returns to a nearby country to lead opposition to the crown prince within a few hours after the Imam's death, the crown prince would be obliged to flee. In their opinion Hassan's failure to bid promptly for leadership would encourage the crown prince's supporters as well as the Cairo-backed "free Yemeni" movement.

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5. PANAMANIAN GOVERNMENT SHOWDOWN MAY
BE IMMINENT

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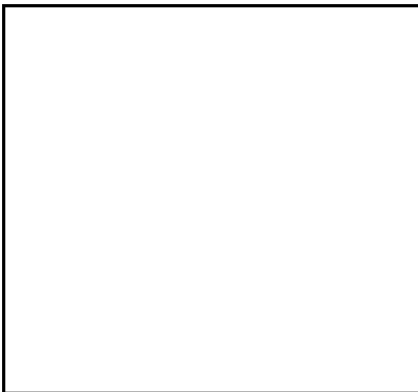
The American embassy in Panama believes First Vice President Diaz, who formally broke with the government coalition in late May, is "ready to stake all" at the antiadministration rally he has organized for 24 July in his attempt to oust President de la Guardia and succeed him. De la Guardia is evidently concerned, for he warned in a surprise nationwide radio address on 20 July that the government would "take all measures the circumstances demand against any attempt to overthrow the administration by violence."

The warning was reinforced by the presence at De la Guardia's side of the top officers of the National Guard, whose approval is essential to any Panamanian government. Guard Commandant Vallarino reiterated his recent pledge to maintain order. The embassy believes the warnings were designed primarily to convince the public of guard support for the President. De la Guardia may welcome a showdown as an opportunity to put an abrupt end to Diaz' bid for power. The broadcast warning may also help to absolve the administration in advance should bloodshed occur.

Despite serious public dissatisfaction over De la Guardia's inability to solve pressing economic and political problems, Diaz probably overestimates his own popularity as an alternative leader. He and his henchmen may try to compensate for this lack of support by inciting mob violence.

**6. INDONESIAN COMMUNISTS MAINTAIN BIG LEAD IN
CENTRAL JAVA ELECTIONS**

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With about a quarter of the votes counted, the Indonesian Communists have a two-to-one lead over their closest rival, the National Party, in the provincial and local elections that were held in Central Java on 17 July. As of 22 July, the Communists had 1,224,000 votes compared with the Nationalist Party's 613,777 votes, while the two major Moslem parties--the Nahdlatul

Ulama and the Masjumi--followed with 444,461 and 149,332 votes respectively. The total vote cast for some 60 small parties was negligible. The final official count is not expected until mid-August. Elections in two more subdivisions on 27 July will complete the voting in Central Java.

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